

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 LISBON 05351 051618Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 AF-04 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 H-01 L-02 DODE-00

PA-01 USIA-06 PRS-01 NSC-05 SS-15 STR-01 CEA-01 IGA-01

OES-03 INT-05 AGR-05 /097 W
----- 092188

R 051415Z DEC 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 1183

INFO AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 5351

E.O. 11652: GDS

TAGS: ECON PO

SUBJ: GUIDELINES FOR PORTUGUESE ECONOMY

REF: (A) LISBON 5266 (B) LISBON 4604

SUMMARY: THE PROVISIONAL GOVERNMENT IS EXPECTED TO ISSUE ECONOMIC GUIDELINES BEFORE THE END OF THE YEAR, POSSIBLY IN THE FORM OF AN INTERIM ECONOMIC PLAN. A MAJOR PURPOSE IS TO HELP RESTORE CONFIDENCE IN THE ECONOMY BY DEFINING "THE RULES OF THE GAME". THE CONTENTS OF THESE GUIDELINES COULD BE INFLUENCED BY A DOCUMENT DRAFTED AT THE INITIATIVE OF MINISTER OF ECONOMY VILAR AND CIRCULATED WITHIN THE GOVERNMENT. THAT DOCUMENT, DESCRIBED BELOW, URGES THE PROVISIONAL GOVERNMENT TO INITIATE ACTION NOW THAT WOULD BEGIN TO SOLVE CURRENT ECONOMIC PROBLEMS AND AT THE SAME TIME START PORTUGAL ON THE ROAD TO SOCIALISM. IT FAVORS THE PRESERVATION OF A WELL-DEFINED AND PARTIALLY DIRECTED PRIVATE SECTOR AND CAUTIONS AGAINST ABRUPT AND RADICAL SOCIALIZATION. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LISBON 05351 051618Z

1. IT IS INCREASINGLY CERTAIN THAT BEFORE THE YEAR IS OUT THE PROVISIONAL GOVERNMENT WILL HAVE ADOPTED A SERIES OF

ECONOMIC GUIDELINES, POSSIBLY IN THE FORM OF AN INTERIM OR SHORT-TERM ECONOMIC PLAN.

2. STORIES HAVE BEEN CIRCULATING IN LISBON FOR SOME WEEKS THAT MINISTER WITHOUT PORTFOLIO MELO ANTUNES WAS COORDINATING THE DRAFTING OF AN "EMERGENCY ECONOMIC PLAN". HIGH-LEVEL ECONOMIC-FINANCIAL OFFICIALS HAVE TOLD US THAT A KIND OF PLAN IS BEING DRAFTED BUT THAT IT IS INCORRECT TO LABEL IT "EMERGENCY". THEY CALL IT RATHER AN INTERIM DOCUMENT TO GUIDE THE GOVERNMENT UNTIL A FULL-FLEDGED ECONOMIC PROGRAM TO REPLACE THE NOW DEFUNCT FOURTH DEVELOPMENT PLAN CAN BE FORMULATED BY THE PROVISIONAL GOVERNMENT'S SUCCESSOR. THESE SOURCES EMPHASIZE THAT SOLUTIONS TO PORTUGAL'S ECONOMIC PROBLEMS CANNOT WAIT FOR THE INSTALLATION OF AN ELECTED GOVERNMENT. THEY SAY THAT IF CONFIDENCE IS TO BE RESTORED, THE RULES OF THE GAME NEED TO BE SPELLED OUT TO ALL PARTICIPANTS IN THE ECONOMY AS RAPIDLY AND AS UNEQUIVOCALLY AS POSSIBLE.

3. WHILE THE ABOVE-MENTIONED OFFICIALS HAVE BEEN RETICENT TO PREDICT WHAT THE NEW GUIDELINES MIGHT BE, WE NOW HAVE A GOOD IDEA OF WHAT ONE INFLUENTIAL GROUP OF OFFICIALS IN THE EXISTING GOVERNMENT WOULD LIKE THEM TO BE. LAST WEEK DR. JOSE FARIA, CHEF DE GABINETE TO MINISTER OF ECONOMY VILAR, CLAIMED THAT VILAR WAS THE PRIME INITIATOR OF THE IDEA THAT THE PROVISIONAL GOVERNMENT SHOULD WITHOUT WAITING FOR ELECTIONS ADOPT MORE SPECIFIC AND COMPREHENSIVE ECONOMIC GUIDELINES. SUBSEQUENTLY, FARIA GAVE US A COPY OF A DOCUMENT ENTITLED "GUIDELINES FOR A TRANSITION ECONOMIC POLICY", WHICH HE SAID WAS PREPARED AT VILAR'S INITIATIVE BY MEMBERS OF SEDES AND APPROVED BY ITS EXECUTIVE BODY. (SEDES IS A PREREVOLUTIONARY ORGANIZATION FOR ECONOMIC AND SOCIAL STUDY WHICH WAS THEN THOUGHT TO BE THE NUCLEUS OF A POSSIBLE OPPOSITION PARTY). FARIA STATED THE PAPER HAD BEEN CIRCULATED TO OTHERS IN THE GOVERNMENT. INASMUCH AS VILAR AND MANY OTHER OFFICIALS IN THE MINISTRIES OF ECONOMY, FINANCE, AND PUBLIC WORKS ARE MEMBERS OR SUPPORTERS OF SEDES--E.G., SECRETARIES OF STATE FOR PLANNING, FOR TRANSPORTATION AND COMMUNICATIONS, AND FOR INDUSTRY AND ENERGY--THE DOCUMENT HAS MORE THAN ROUTINE INTEREST. ITS PRINCIPAL POINTS ARE SUMMARIZED IN THE PARAGRAPHS THAT FOLLOW.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LISBON 05351 051618Z

4. THE MAIN MESSAGE OF THE EIGHT-PAGE SEDES PAPER IS THAT WHILE AN EGALITARIAN PORTUGAL WITH THE MEANS OF PRODUCTION IN STATE HANDS SHOULD BE THE ULTIMATE OBJECTIVE, CONDITIONS ARE NOT RIGHT NOW FOR RADICAL SOCIALIZATION. THE PAPER MAINTAINS THAT AN ABRUPT ATTEMPT TO REDISTRIBUTE NATIONAL INCOME EQUALLY WOULD RUN THE RISK OF GRAVELY DISRUPTING THE ECONOMY. SEDES ARGUES INSTEAD FOR A POLICY OF GRADUALISM. IT URGES ACCEPTANCE OF "COEXISTENCE FOR A MORE OR LESS LONG PERIOD WITH AN ACTIVE CAPITALIST SECTOR", SUCH COEXISTENCE NOT RULING OUT

IMMEDIATE MEASURES TO CHANNEL PRIVATE SECTOR ACTIVITIES ALONG SOCIALLY RESPONSIVE LINES.

5. ACCORDING TO THE PAPER, THE MAIN ELEMENTS IN THE PROVISIONAL GOVERNMENT'S FRAMEWORK OF ACTION "TO SOLVE PRESENT PROBLEMS AND PREPARE FOR FUTURE STEPS TOWARD SOCIALISM" SHOULD BE:

A. CONTROL OF ECONOMIC POWER THROUGH INCREASED STATE INTERVENTION; B. A PRIVATE SECTOR WITH GUARANTEED CONDITIONS AND INCENTIVES SUFFICIENT FOR IT TO FUNCTION BUT STILL INFLUENCED AND GUIDED BY GOVERNMENT MEASURES; AND C. INCREASED WORKER PARTICIPATION IN ECONOMIC DECISION MAKING, ESPECIALLY IN PUBLIC SECTOR ENTERPRISES. WITH RESPECT TO POINT A, STATE INTERVENTION WOULD TAKE THE FOLLOWING FORMS: ORIENTATION OF THE FINANCIAL SYSTEM THROUGH PUBLIC AND SEMI-PUBLIC FINANCIAL INSTITUTIONS; CONTROL OF BASIC INDUSTRIES (ENERGY, STEEL, BASE CHEMICALS, NATURAL RESOURCE EXPLOITATION) AND PROMOTION OF ESSENTIAL INDUSTRIES BY A NATIONAL PUBLIC INSTITUTE; CHANGING CONDITIONS FOR EXPLOITATION OF AGRICULTURAL LANDS; AND "SOCIALIZING" URBAN LAND AND UNDERTAKING A VAST PROGRAM OF PUBLIC HOUSING.

6. THE REMAINDER OF THE PAPER SUGGESTS "CONCRETE MEASURES" IN THE FORM OF POLICIES: INVESTMENT (E.G., INCREASED PUBLIC INVESTMENT, SELECTIVE CREDIT POLICIES); SAVINGS (E.G., REDUCED MILITARY AND CURRENT GOVERNMENT EXPENDITURES); ANTI-INFLATION (E.G., DIRECT CONTROLS OF PRICES OF MOST ESSENTIAL GOODS); INCOMES (E.G., INCREASED PROGRESSIVITY OF TAXES); BALANCE OF PAYMENTS (E.G., DEVELOPMENT OF IMPORT SUBSTITUTES). THE FORMULATION OF A TRANSITION ECONOMIC PLAN IS CONSIDERED ESSENTIAL TO COORDINATE AND RATIONALIZE THESE VARIOUS POLICIES.

CONFIDENTIAL
CONFIDENTIAL

PAGE 04 LISBON 05351 051618Z

7. COMMENT: FEW IN PORTUGAL WOULD TAKE ISSUE WITH THE SEDES PREMISE THAT A BETTER DEFINITION OF THE ECONOMIC RULES OF THE GAME IS NECESSARY TO RESTORE CONFIDENCE. ON THE OTHER HAND, THE SEDES COMMITMENT TO A SOCIALIST OBJECTIVE IS HIGHLY CONTROVERSIAL, EVEN THOUGH THE SEDES PROPOSALS PRESERVE THE PRIVATE SECTOR FOR AN UNDEFINED PERIOD AND CAUTION AGAINST ANY PRECIPITATE MOVES. THERE IS REASON TO BELIEVE, HOWEVER, THAT THE SEDES POSITION, EVEN IF NOT ACCEPTABLE IN ALL RESPECTS, AND IRRESPECTIVE OF A SEDES OR VILAR LABEL, IS AT LEAST HARMONIOUS WITH THE VIEWS OF MANY WITHIN THE GOVERNMENT AND THE ARMED FORCES MOVEMENT. THE POSITION IS CONSISTENT WITH PARA 6 OF THE AFM PROGRAM OF APRIL 25 WHICH STRESSES (A) A NEW ECONOMIC POLICY FAVORING THE MOST DISADVANTAGED CLASSES AND UTILIZING AN ANTIMONOPOLIST STRATEGY AND (B) A NEW SOCIAL POLICY TO DEFEND THE INTERESTS OF THE WORKING CLASSES AND IMPROVE THE QUALITY OF LIFE OF ALL PORTUGUESE. RECENT ECONOMIC LEGISLATION -- E.G., LAWS RELATING TO CONTROL OF BASIC INDUSTRIES, THE BANKING SYSTEM, AND GOVERNMENT INTERVENTION IN PRIVATE ENTERPRISES (SEE REFTELS)--

IS NOTABLY CONSISTENT WITH THE KIND OF PROGRAM SEDES IS
ADVOCATING.
SCOTT

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTERIM GOVERNMENT, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON05351
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740353-0944
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741258/aaaabxrv.tel
Line Count: 172
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) LISBON 5266 (B) LISBON 4604
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by rowelle0>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GUIDELINES FOR PORTUGUESE ECONOMY
TAGS: ECON, PO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005